

Message Text

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ACTION SS-25

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 6044

INFO AMEMBASSY GEORGETOWN

C O N F I D E N T I A L KINGSTON 3708

EXDIS

E.O. 11652: GDS

TAGS: EMIN, EINV, JM, US

SUBJECT: MEETING OF BAUXITE COMPANY REPRESENTATIVES

REF: KINGSTON 3671

1. AMBASSADOR MET WITH LOCAL REPRESENTATIVES OF BAUXITE INDUSTRY (ALCAN, ALCOA, ALPART, KAISER AND REVERE), AT THEIR INVITATION OCTOBER 9 FOR INFORMAL GENERAL DISCUSSION OF BAUXITE MEGOTIATIONS WITH GOJ. KAISER REP GAVE GROUP RUNDOWN ON CURRENT STATE HIS COMPANY'S TALKS WITH GOJ (REFTEL). FOLLOWING ARE HIGHLIGHTS OF CONVERSATION BY SUBJECT.

2. ICSID: ALCOA WILL PRESS FOR AN ICSID CLAUSE IN ANY NEW CONTRACT WITH GOJ, AS IT PROVIDES ONLY PROTECTION AGAINST SOVERIEGNTY ESCAPE HATCH BEING USED BY GOJ. "CREDIBILITY OF CONTRACT ESSENTIAL IF WE ARE TO RAISE MONEY FROM BANKS." REVERE HAS NOT MENTIONED ICSID BY NAME IN ITS TALKS WITH GOJ BUT SAID THEY WANT PROVISION FOR RECOURSE TO "INTERNATIONAL TRIBUNAL" IN ANY NEW AGREEMENT. GOJ COUNTERED WITH PROPOSAL OF JAMAICAN SUPREME COURT, WHICH REVERE NOT BUYING.

3. ALCON: HAS NOT YET BEEN CONTACTED BY GOJ ON NEXT ROUND OF NEGOTIATIONS AND DOESN'T EXPECT TO BE UNTIL
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GOJ HAS FINISHED UP WITH ALPART, KAISER, REVERE AND

REYNOLDS. ALCAN HAS NO CONTRACT WITH GOJ AND OPERATES ON BASIS OF STATEMENTS AND ASSURANCES PROVIDED BY NORMAN MANLEY AT TIME THEY ESTABLISHED LOCALLY. AS JAMAICAN COMPANY THEIR ONLY RECOURSE IS TO LOCAL COURTS. COUNSEL ADVISES THEY CAN MAKE SOLID LEGAL CASE ON BASIS OF ASSURANCES PREVIOUSLY RECEIVED.

4. VARIABAL TAX LEVY TIED TO ALUMINUM PRICE: INDUSTRY REPS WERE UNANIMOUS IN BELIEF DOWNSIDE PROTECTION FOR COMPANIES UNDER SUCH A SCHEME NEBULOUS AT BEST. THEY CONVINCED GOJ CAN ONLY SEE INCREASING ALUMINUM PRICES AND THUS MORE INCOM FOR ITSELF. SHOULD MARKET SOUR AND PRICES DROP THEY DOUBT GOJ WOULD HONOR A COMMITMENT TO LOWER LEVY AND ACCEPT INCOME CUT.

5. NATIONALIZATION: ALCOA, ALCAN AND REVERE REPS FELT NATIONALIZATION LEAST OF THEIR WORRIES, AND ACTUALLY PREFERABLE TO BEING BLED DRY SOLOWLY. REVERE REP QUOTED GOJ BAUXITE NEGOTIATORS MEYER MATALON, AS SAYING GUYANA WAS GOING THE WRONG WAY ON BAUXITE. "WHY BUY THE COW IF ALL YOU WANT IS THE MILK?"
GERARD

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